

Investment Idea



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Kimlun Corporation Berhad

Riding on Johor's Boom

By Thong Pak Leng, Vice President of Research

Kimlun Corporation Berhad (KIMLUN, 5171) is a Johor-based engineering and construction group with over 45 years track record. Presently, the company has outstanding construction and manufacturing order book of more than RM3bn; hence, we expect KIMLUN to register earnings of RM60.6m and FY71.1m for FY25 and FY26. BUY with target price of RM1.75 based on 10x PER (peers' average) over FY26 EPS. Our recommendation is premised on the company's strong orderbook providing good earnings visibility going forward, potential beneficiary within the JS-Special Economic Zone and expanding Singapore business.

KIMLUN's secured contracts win totalling RM2.2bn in 2024 comprising of Shah Alam high-rise (RM234m); Johor Bahru serviced residences (RM150m); SUNWAY building contract (RM134m); and Senai-Desaru Expressway upgrade (RM129m). This healthy order replenishment reflects the company's competitiveness, particularly in securing building jobs that align with its IBS construction expertise. In May 2025, KIMLUN secured a notable RM800m job via Astaka-Kimlun 51:49 JV for the construction of the Arden Tower, a 70-storey mixed-use skyscraper in Johor Bahru.

The company is positioning itself as a key local partner for the upcoming Johor infrastructure projects including the JS-SEZ infrastructure, customs and immigration facilities, and connectivity upgrades linked to the Johor-Singapore Rapid Transit System (RTS). With over four decades of experience in Johor, KIMLUN is well-positioned to ride the Iskandar revival theme. The Arden Tower project serves as a flagship win in this renewed development cycle.

KIMLUN stands to benefit from supportive macro trends, particularly the resurgence of infrastructure developments in Malaysia with project spanning across Johor, Sabah, and Sarawak, with key projects such as MRT3 and Pan Borneo Highway Phase 2 gaining traction. Meanwhile, the robust project pipeline of mass transit and tunnelling works in Singapore continues to present opportunities for KIMLUN's precast division, which is well-aligned with the Land Transport Authority's specifications.

The company has a net gearing of about 0.7x as of 1QFY25. With the RM40m proceeds from private placement and stronger earnings expected in FY25, we see KIMLUN's net gearing to reduce to 0.6x by end of 2025.

KIMLUN does not have a formal dividend policy; however, it has been paying between 14% and 44% from its net profit to shareholders over the past 14 years except for 2021 and 2022 due to the pandemic. We are projecting KIMLUN to pay dividend of 2.3sen and 2.6sen for FY25 and FY26 based on a payout ratio of 15%, translating into yield of 1.8% and 2.1% respectively.

Technically Speaking

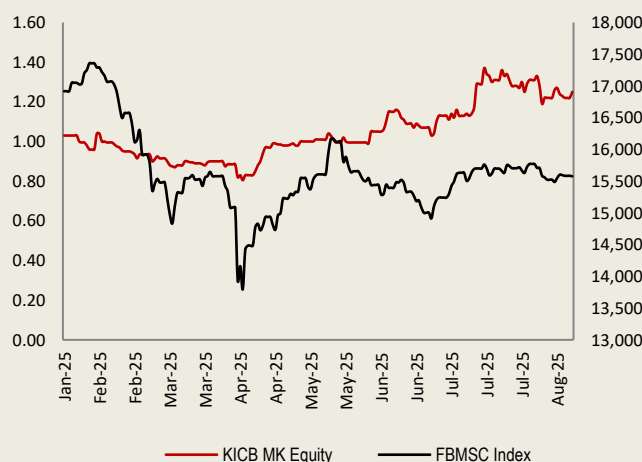
Resistance level	RM1.35
Support level	RM1.21



BUY

Price: RM1.27

Target price: RM1.75



KLCI	1,588.21
YTD FBM KLCI change	-3.3%
YTD FBM SC Index change	-13.33%
YTD stock price change	5.83%

Stock Information

Market Cap (RM'm)	448.8
Issued Shares (m)	353.4
52-week range (H)	1.59
52-week range (L)	0.81
Sharia Compliant	Yes

Major Shareholders

Phin Sdn Bhd	37.2%
Pang Khang Hau	6.0%
Pang Yon Tin	5.5%

Summary Earnings Table

FY Dec (RM'm)	2023	2024	2025F	2026F
Revenue	852.6	1,207.4	1,461.0	1,621.7
EBITDA	56.4	125.1	140.1	155.5
Pretax profit	13.1	68.4	81.9	90.9
PATMI	7.1	51.2	60.6	67.9
Core PATMI	7.1	51.2	60.6	67.9
Consensus	-	-	63.3	73.1
Core FD EPS (sen)	2.0	14.5	15.6	17.5
EPS growth (%)	-197.6%	626.4%	7.6%	11.9%
DPS (sen)	1.0	2.0	2.3	2.6
PER (x)	63.6	8.8	8.1	7.3
BV/Share (RM)	2.02	2.16	2.08	2.22
ROE (%)	1.0%	6.9%	8.1%	8.1%
Div. Yield (%)	0.8%	1.6%	1.8%	2.1%

Sources: Company, Rakuten Trade Research



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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:



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